

WORKER COOPERATIVE WORKING PARTY, MINISTERIAL ADVISORY  
COMMITTEE ON COOPERATION

WHAT IS A WORKER COOPERATIVE?

DAVID GRIFFITHS,  
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## WHAT IS A WORKER COOPERATIVE?

THIS QUESTION IS THE BASIS FOR A FUNDAMENTAL DEBATE PROVOKED BY THE TRANS NATIONAL COOPERATIVE AND LABOUR RESOURCE CENTRE REPORT, WORKER COOPERATIVES IN N.S.W. AND VICTORIA: A POLICY REVIEW (TNC-LRC).

THE PHILOSOPHY OF THE TNC-LRC REPORT IS CRITICISED AS ANTI-COOPERATIVE AND STATE ENTERPRISIST IN TWO DOCUMENTS PREPARED BY THE N.S.W. GOVERNMENT'S COMMON OWNERSHIP PROGRAM - APPRAISAL OF THE REPORT ON WORKER COOPERATIVE POLICY IN N.S.W. AND VICTORIA (AWC) AND DISCUSSION DOCUMENT ON T.N.C. REVIEW (DTR).

IN BRIEF, THE ISSUES OF DIFFERENCE CONCERN EQUITY PROVISIONS, THE DISTRIBUTION OF SURPLUS AND THE RELATIONSHIP OF WORKER COOPERATIVES TO THE STATE. THE TNC-LRC REPORT HAS RECOMMENDED A LOW EQUITY BASE, CONTROL OVER SURPLUS DISTRIBUTION AND A PROACTIVE RELATIONSHIP WITH THE STATE. THE N.S.W. DOCUMENTS CRITICISE THESE APPROACHES AS INAPPROPRIATE AND IMPRACTICAL: " IN SOME CASES, WHAT IS BEING PROPOSED IS NOT A FORM OF WORKER COOPERATIVE AT ALL. IT IS, IN EFFECT, AN EXTENSION OF STATE ENTERPRISE WITH A SIGNIFICANT INDUSTRIAL DEMOCRACY COMPONENT." (AWC P 2)

N.S.W. IS CORRECT IN ARGUING THAT IN ORDER TO SURVIVE WORKER COOPERATIVES MUST COME TO TERMS WITH THE MARKET. N.S.W. ASSUMES AND ASSERTS THAT WORKER COOPERATIVES IN N.S.W. HAVE COME TO TERMS WITH THE MARKET ECONOMY AND THAT THE STRUCTURES AND POLICIES OF THESE COOPERATIVES ARE PRACTICAL. IN EMPHASISING PRACTICALITY THERE IS THE POSSIBILITY, HOWEVER, THAT WORKER COOPERATIVES COULD LOSE THEIR DISTINCTIVENESS AND DIFFERENCES IN ORDER TO SURVIVE IN THE MARKET.

THERE IS A CRITICAL DIFFERENCE BETWEEN SURVIVAL BASED ON ACCOMMODATING WITH AND CAPITULATING TO THE MARKET. THE SUCCESS OF WORKER COOPERATIVES IS DETERMINED BY THEIR WILLINGNESS AND ABILITY TO REMAIN DIFFERENT DESPITE THE MARKET. PRACTICALITY, THEN, IS SURVIVING IN THE MARKET DESPITE REAL IDEOLOGICAL AND ORGANISATIONAL DIFFERENCES BETWEEN WORKER COOPERATIVES AND A PRIVATE ENTERPRISE DOMINATED MARKET. UNLESS IT IS POSSIBLE FOR WORKER COOPERATIVES TO MAINTAIN THESE DIFFERENCES, THEN, IT IS DIFFICULT TO CONTINUE THEIR DEVELOPMENT FOR THEY ARE THEN NO MORE OR LESS APPROPRIATE TO SUPPORT THAN ANY OTHER SMALL BUSINESS. THERE IS DISAGREEMENT, THEN, BETWEEN N.S.W. AND THE T.N.C.- L.R.C. REPORT ON COMING TO TERMS WITH THE MARKET.

## EQUITY

THE CANADIAN GOVERNMENT'S NATIONAL TASK FORCE ON COOPERATIVE DEVELOPMENT IS APPROVINGLY QUOTED ON EQUITY: " ALL FORMS OF BUSINESS NEED CAPITAL - COOPS ARE NO EXCEPTION. BUT CAPITAL IN THE COOPERATIVE SECTOR IS DIFFERENT THAN EQUITY INVESTMENT IN OTHER BUSINESS. IT REPRESENTS THE STAKES OF INDIVIDUAL MEMBERS IN THE ECONOMIC AND SOCIAL DECISIONS AFFECTING THEMSELVES AND THEIR COMMUNITY. COOPERATIVE CAPITAL REPRESENTS A PURE EXPRESSION OF ECONOMIC DEMOCRACY - A FINANCIAL COMMITMENT TO THE DEMOCRATIC AND COOPERATIVE PROCESSES OF DECISION-MAKING. COOPERATIVES NEED THAT MEMBER COMMITMENT AND PARTICIPATION TO BE SUCCESSFUL. (AWC PAGES 12-13). IN ANALYSING THIS STATEMENT, HOWEVER, THE FOLLOWING OBSERVATIONS ARE POSSIBLE:

- (A) COOPERATIVES DO REQUIRE CAPITAL IN ORDER TO ESTABLISH AND DEVELOP. THIS IS AN UNEXCEPTIONAL ARGUMENT.
- (B) HOW COOPERATIVE EQUITY IS DIFFERENT FROM EQUITY IN OTHER ENTERPRISES IS NOT ESTABLISHED BY ASSERTING THE DIFFERENCE.
- (C) EQUITY IS AN INDIVIDUAL STAKE IN THE COOPERATIVE AND IT IS NECESSARY, THEREFORE, TO ESTABLISH HOW THIS STAKE IS TRANSFORMED INTO A SOCIALLY DESIRABLE STAKE.
- (D) COOPERATIVE CAPITAL IS A FINANCIAL COMMITMENT BUT THIS IS NOT AN EXPRESSION OF ECONOMIC DEMOCRACY. ECONOMIC DEMOCRACY IS ONE PERSON ONE VOTE IN A BUSINESS ENTERPRISE.
- (E) COOPERATIVES NEED MEMBER COMMITMENT AND PARTICIPATION BUT THIS DOES NOT NECESSARILY MEAN THAT COMMITMENT IS DETERMINED AND MEASURED BY INDIVIDUAL EQUITY CONTRIBUTIONS.

N.S.W. ARGUES THAT "LOW EQUITY IGNORES THE FORMATION OF A LONG TERM CAPITAL BASE AND THE SERIOUS LONG TERM COMMERCIAL AND FINANCIAL CONSIDERATIONS." (DTR PAGE 4 ) THIS CRITICISM CHOOSES TO IGNORE, ALBEIT BRIEF, DISCUSSION IN THE TNC/LRC REPORT OF ALTERNATIVE MECHANISMS FOR CAPITAL FORMATION AND EQUITY BASIS AND THE APPROPRIATE BALANCE BETWEEN THE INTERESTS OF INDIVIDUAL MEMBERS, THE COLLECTIVE INTERESTS OF EACH COOPERATIVE AND THE COMMON INTERESTS OF ALL WORKER COOPERATIVES. (AWC PAGE 42)

THE TNC/LRC REPORT RECOGNISES THAT WORKER COOPERATIVES HAVE CAPITAL FORMATION NEEDS AND PROBLEMS. WHAT IT REFUSES TO DO IS TO ARGUE THAT THIS MUST NECESSARILY BE BASED ON A RELATIVELY HIGH INDIVIDUAL EQUITY (E.G., 20% OF THE CAPITALISATION REQUIREMENTS). AN ALTERNATIVE BASIS FOR MEETING THE ONGOING CAPITAL FORMATION NEEDS OF WORKER COOPERATIVES IS THE ALLOCATION OF A SUBSTANTIAL PROPORTION OF SURPLUS TO RESERVES. THIS ALLOCATION WOULD BE AS SIGNIFICANT A SACRIFICE BY WORKERS AS A RELATIVELY HIGH EQUITY. IT IS PUZZLING, THEREFORE, THAT THE ONLY BASIS OF PROOF OF WORKER COMMITMENT IS SEEN TO BE INDIVIDUAL EQUITY.

IN STATING THAT "MOTIVATION AND COMMITMENT IS RELATED TO SHAREHOLDING" ( AWC PAGE 13)THE N.S.W. ASSUMPTION SEEMS TO BE THAT THE INITIAL EQUITY CONTRIBUTED BY WORKERS IN A WORKER COOPERATIVE WILL DETERMINE THE VIABILITY AND SURVIVAL OF THE ENTERPRISE AND THAT THIS COMMITMENT BY WORKERS MUST BE REPRESENTED BY AN INDIVIDUAL SHAREHOLDING. N.S.W. STATES THAT: "THE VERY NATURE OF THE COOPERATIVE FORM IS DESIGNED TO PRODUCE GAIN FOR INDIVIDUAL MEMBERS WHILE LIMITING CAPITAL GAIN." ( DTR PAGE 12 HOW INDIVIDUAL GAIN IS DIFFERENT FROM CAPITAL GAIN IS NOT ESTABLISHED.

IT IS NOT CLEAR WHETHER N.S.W. SERIOUSLY BELIEVES THAT THE COMMITMENT OF WORKERS TO AN ENTERPRISES'S VIABILITY AND SURVIVAL IS ONLY ACHIEVABLE THROUGH THE INITIAL EQUITY CONTRIBUTION. IT IS CERTAINLY TRUE THAT THE FINANCIAL COMMITMENT EXPRESSED THROUGH SHAREHOLDING IS A TANGIBLE MEASURE. BUT, THEN, IT IS EQUALLY A MEASURE OF WEALTH RATHER THAN COMMITMENT. N.S.W. DOES NOT SEEM INTERESTED IN DISTINGUISHING BETWEEN INDIVIDUAL (SINGLE MEMBER) AND COMBINED (MEMBERSHIP) EQUITY. THERE IS NO RECOGNITION THAT INDIVIDUAL EQUITY IN CONSUMER COOPERATIVES IS NOMINAL AND YET MEMBERS OF WORKER COOPERATIVES ARE EXPECTED TO ESTABLISH A HIGH INDIVIDUAL EQUITY. THIS EXPECTATION CREATES THE NEED FOR WORKERS IN WORKER COOPERATIVES TO MAKE A FINANCIAL COMMITMENT THAT MEMBERS OF CONSUMER COOPERATIVES ARE NOT EXPECTED TO PROVIDE.

A MORE PRACTICAL BASIS FOR N.S.W. SUPPORT FOR A RELATIVELY HIGH EQUITY IS THE LEVERAGE CAPABILITY THIS PROVIDES TO ENABLE WORKER COOPERATIVES TO RAISE LOANS FROM PRIVATE SECTOR SOURCES. THIS IS A MAJOR CONCERN OF THE N.S.W. PROGRAM. THERE IS CRITICISM, FOR INSTANCE THAT THE REPORT "DOES NOT ENVISAGE AN EARLY COMMERCIAL RELATIONSHIP DEVELOPING WITH PRIVATE SECTOR SOURCES OF FINANCE." ( AWC PAGE 4). THE CRITICISM, THEN, IS COINED IN PUZZLEMENT THAT AN OBVIOUS RELATIONSHIP HAS NOT BEEN ADDRESSED. BUT, THE TNC-LRC REPORT DID ADDRESS THE QUESTION OF THE WORKER COOPERATIVE AND PRIVATE SECTOR RELATIONSHIP - NOT IN THE WAY, HOWEVER, ACCEPTABLE TO N.S.W. THE REPORT CONSIDERS THAT APPROPRIATE FINANCIAL SUPPORT FOR WORKER COOPERATIVES SHOULD BE "LOCATED OUTSIDE OF THE TRADITIONAL FINANCE SECTOR" ( TNC-LRC PAGE 37).

N.S.W. CONSIDERS PRIVATE SECTOR FINANCE AS CRITICAL TO THE DEVELOPMENT OF INDEPENDENT WORKER COOPERATIVES. GOVERNMENT FUNDING IS CRITICISED, HOWEVER BECAUSE "THERE WILL BE A CLOSE AND CONTROLLED RELATIONSHIP WITH GOVERNMENT. AS SOCIALIST GOVERNMENTS IN WESTERN EUROPE HAVE DISCOVERED OVER THE PAST TWO DECADES, GOVERNMENTS ARE PRIMARILY CONCERNED WITH SECURITY WHEREAS BUSINESS REQUIRES SIGNIFICANT RISK TAKING. THIS USUALLY LEADS TO CONSERVATIVE (PUBLIC) ENTERPRISE PRACTICES RESULTING IN LARGE COSTS TO THE TAX PAYER." (AWA PAGE 5) IT IS ARGUED THAT "NOMINAL SHAREHOLDINGS UNDERMINE DEMOCRATIC CONTROL BY LEAVING THE COOPERATIVE OPEN TO UNDUE INFLUENCE BY OUTSIDE LENDERS" (AWC PAGE 14). THE ABILITY OF OUTSIDE LENDERS TO INFLUENCE THE CONTROL OF THE COOPERATIVE IS CONCEDED. BUT, THEN, THE IMPLICIT ASSUMPTION SEEMS TO BE THAT THE GOVERNMENT WOULD WISH TO CONTROL WHEREAS THE ROLE OF THE PRIVATE SECTOR IS INHERENTLY BENIGN. THE PUBLIC SECTOR IS CRITICISED FOR AN EMPHASIS ON SECURITY WHICH IS ALSO THE BASIS OF SECURING FINANCING FROM THE PRIVATE SECTOR. THERE IS AN ADMITTED PROBLEM THAT WHEN WORKERS KEEP THEIR MONEY IN BANKS "THEY TOTALLY LOSE CONTROL OVER THE INVESTMENT POLICIES DURING THEIR SAVING." (AWC PAGE 15) YET, THE BANKS ARE EXPECTED TO PROVIDE BENIGN LOANS TO WORKER COOPERATIVES.

NSW DISCUSSES THE FINANCING NEEDS OF WORKER COOPERATIVES EXCLUSIVELY IN TERMS OF PRIVATE AND PUBLIC SECTOR SOURCES. THERE IS NO DISCUSSION OF FINANCIAL COOPERATIVES AS A SOURCE OF FINANCING. THIS SILENCE ON CREDIT SOCIETIES SEEMS TO REFLECT THE ABSENCE IN N.S.W. OF A DIALOGUE BETWEEN THE DIFFERENT COOPERATIVE SECTORS ON COOPERATIVE DEVELOPMENT. INDEED, N.S.W. HAS BEEN AT PAINS TO ARGUE THAT WORKER COOPERATIVES ARE VERY DIFFERENT FROM OTHER FORMS OF COOPERATIVES. IT IS INTRIGUING, THEREFORE, THAT N.S.W. IS MORE INTERESTED IN PRIVATE SECTOR THAN COOPERATIVE FINANCING.

THIS PRIVATE SECTOR EMPHASIS IS FURTHER EVIDENCED IN THE N.S.W. REFUSAL TO ADDRESS PROPOSALS IN THE TNC-LRC REPORT FOR THE MAINTENANCE OF PREVAILING INDUSTRY STANDARDS REGARDING WAGES AND CONDITIONS, ASSISTANCE BEING CONDITIONAL ON CONSULTATION WITH APPROPRIATE UNIONS AND ASSISTANCE PREFERENCE TO UNIONISED COOPERATIVES. SPECIFIC RECOMMENDATIONS ON HOW UNIONS COULD ASSIST WORKER COOPERATIVES AT INDUSTRY AND ENTERPRISE LEVELS ARE CRITICISED AS EITHER "STANDARD" OR AS NOT BEING "CONCRETE." OPPOSITION TO ACTUAL INVOLVEMENT OF TRADE UNIONS IN WORKER COOPERATIVES IS REVEALED IN THE EMPHASIS ON INFORMING TRADE UNIONS, FACILITATING A TRADE UNION POSITION ON WORKER COOPERATIVES AND SUPPORT ORGANISATION LINKS WITH TRADE UNIONS.

N.S.W. ARGUES THAT WORKERS SHOULD BE ABLE TO DISTRIBUTE SURPLUS EARNINGS TO ITS WORKER MEMBERS AND THAT WORKERS HAVE A RIGHT TO "A SHARE IN THE EARNINGS OF THEIR OWN ENTERPRISE" (AWC PAGE 18). IT IS IMPLIED THAT THE TNC-LRC REPORT DENIES PERSONAL RIGHTS TO WORKERS BY PREVENTING THE DISTRIBUTION OF SURPLUS TO MEMBERS. THIS IS NOT THE CLEAR FINDING IN THE REPORT. WHILE THERE IS A RECOMMENDATION FOR A NOMINAL EQUITY, THE TEXT ARGUES THAT A "STRICT LIMIT BE SET TO CONTROL THE LEVEL OF RETURN" ( TNC-LRC PAGE 43) AND FAVORS INCREASED WAGES BECAUSE THIS "RECOGNISES AND REWARDS WORKERS AS A RIGHT BY VIRTUE OF THEIR EMPLOYMENT" (TNC-LRC PAGE 42). N.S.W. ARGUES THAT "IN LINE WITH COOPERATIVE PRINCIPLE, SURPLUS IS ALLOCATED ACCORDING TO PERSONAL RIGHTS. ONCE ALLOCATED, THE AMOUNT RETAINED BECOMES PROPERTY. IT IS, THEREFORE, A CONSTRAINT ON PERSONAL RIGHTS FOR SURPLUS NOT TO BE DISTRIBUTED IN ACCORDANCE WITH COOPERATIVE PRINCIPLE. THIS IS A VERY PROMINENT EXAMPLE OF THE REPORT'S LACK OF AN INFORMED APPROACH TO COOPERATIVE PRINCIPLE AND TO THE FACT THAT COOPERATIVES HAVE ALWAYS BEEN ABOUT BALANCING COLLECTIVE AND PERSONAL RIGHTS.. TO ARGUE FOR COLLECTIVE RIGHTS EXCLUSIVELY, OR FOR



THE BANISHMENT OF PERSONAL RIGHTS IS TO BE ANTI\_COOPERATIVE" (AWC PAGES 18-19). TO ARGUE THAT A SURPLUS IS NEUTRAL AND ONLY BECOMES A PROPERTY AFTER IT IS DISTRIBUTED IS AN INGENIOUS INTERPRETATION OF COOPERATIVE PRINCIPLE AND PRACTICE. IT IS CRITICAL, THEREFORE, TO DISCUSS THE QUESTION OF PERSONAL AND PROPERTY RIGHTS AND THIS WILL PROVIDE A BETTER BASIS FOR IDENTIFYING THE REAL ISSUES AND SEPARATING OUT OPPORTUNISTIC RHETORIC AND JUSTIFICATIONS. PERSONAL RIGHTS ARE CONCERNED WITH THE RIGHTS OF INDIVIDUALS. PROPERTY RIGHTS ARE CONCERNED WITH THE OWNERSHIP AND POSSESSION OF PROPERTY. A CRITICAL DIFFERENCE BETWEEN COOPERATIVE AND PRIVATE ENTERPRISES IS THE COOPERATIVE EMPHASIS ON PERSONAL RIGHTS AND THE PRIVATE ENTERPRISE EMPHASIS ON PROPERTY RIGHTS. WHAT IS A MATTER FOR DEBATE IS HOW THESE DIFFERENCES ARE REFLECTED AND REINFORCED IN COOPERATIVE POLICY AND PRACTICES.

THE BASIS FOR PERSONAL RIGHTS IN A COOPERATIVE IS DEMOCRACY - ONE VOTE PER MEMBER IRRESPECTIVE OF SHAREHOLDING SIZES AND DIFFERENCES. THIS IS IN CONTRAST WITH PRIVATE ENTERPRISE PLUTOCRACY WHERE INDIVIDUAL WEALTH AND SHAREHOLDING DETERMINES INDIVIDUAL OWNERSHIP AND CONTROL. THE NUMBER OF SHARES DETERMINES THE NUMBER OF VOTES AND, THEREFORE, OWNERSHIP AND CONTROL OF THE ENTERPRISE. THE BASIS OF PERSONAL RIGHTS, THEREFORE, IS THE RIGHT AND OBLIGATION TO PARTICIPATE IN DECISION MAKING ON AN EQUAL BASIS. ECONOMIC DEMOCRACY, THEN, IS ABOUT MEMBER SELF\_MANAGEMENT OF BUSINESS ENTERPRISES. IT COMPLEMENTS POLITICAL DEMOCRACY. ECONOMIC DEMOCRACY IS DECISION\_MAKING CONTROL IN AN ENTERPRISE AND NOT THE OWNERSHIP. IN CONFUSING THE TWO IT IS NOT SURPRISING THAT N.S.W. ARGUES THAT WORKERS OWN COOPERATIVE PROPERTY AND SHOULD, IN CONSEQUENCE, DETERMINE THE DISTRIBUTION AND ALLOCATION OF THIS PROPERTY.

WHO, THEN, OWNS THE CAPITAL OF A COOPERATIVE?

PERSONAL RIGHTS ARE DIFFERENT FROM PROPERTY RIGHTS. IT IS INCORRECT TO ARGUE THAT WORKERS IN A WORKER COOPERATIVE HAVE A PERSONAL RIGHT TO A SURPLUS DISTRIBUTION WHICH ONLY BECOMES PROPERTY WHEN IT IS DISTRIBUTED. IN A COOPERATIVE THE CAPITAL IS EQUALLY OWNED AND CONTROLLED BY THE MEMBERSHIP AND, THEREFORE, INDIVIDUAL COOPERATIVES ARE SOCIALLY RATHER THAN INDIVIDUALLY OWNED. INDIVIDUAL SOCIAL OWNERSHIP OF COOPERATIVES, HOWEVER, IS MEANINGLESS UNLESS SOCIAL OWNERSHIP IS SEEN AS CHARACTERISTIC OF THE WORKER COOPERATIVE SECTOR AND, THEREFORE, SOCIAL OWNERSHIP IS COLLECTIVELY RATHER THAN INDIVIDUALLY BASED. INDIVIDUAL SOCIAL OWNERSHIP IS A FORM OF PRIVATE ENTERPRISE.

THE SURPLUS OF LABOUR IN A COOPERATIVE IS AT THE DISPOSAL OF THE ENTERPRISE RATHER THAN THE LABOUR IN THE ENTERPRISE AND THE REAL ENTERPRISE CHARACTER OF THE BUSINESS (COOPERATIVE OR PRIVATE) IS DETERMINED BY THE ALLOCATION OF SURPLUS FOR INDIVIDUAL AND SOCIAL PURPOSES. SOCIAL OWNERSHIP DOES NOT EXIST WHEN ISOLATED AND SELECTIVE GROUPS OF LABOUR IN INDIVIDUAL WORKER COOPERATIVES CAN APPROPRIATE SURPLUS FOR THEIR OWN INDIVIDUAL BENEFIT. THE DECISIONS OF A GROUP OF WORKERS IN A WORKER COOPERATIVE CAN BE PRIVATELY OR SOCIALLY BASED AND TO ASSUME THAT ALL DECISIONS ARE INHERENTLY SOCIALLY DETERMINED IS A REGRETTABLE ASSUMPTION. THE RIGHT OF WORKERS TO APPROPRIATE THE SURPLUS VALUE OF THEIR LABOUR IS VULGARISED WHEN APPLIED TO INDIVIDUAL WORKERS IN INDIVIDUAL COOPERATIVES (DTR PAGE 5). WHILE ARGUING FOR THIS RIGHT, HOWEVER, N.S.W. ALSO EXPECTS ITS SUPPORTED WORKER COOPERATIVES TO ALLOCATE 30% OF SURPLUS INTO RESERVE FUNDS (DTR PAGE 6).

THE N.S.W. PREFERENCE FOR PRIVATE SECTOR FINANCING OF WORKER COOPERATIVES PERHAPS PROVIDES AN EXPLANATION FOR THE APPROACH TO SURPLUS DISTRIBUTION. THE IDEOLOGICAL PREFERENCE OF PRIVATE SECTOR FINANCIAL SOURCES IS FOR HIGH OWNER EQUITY, PERSONAL SECURITY, COLLATERAL GUARANTEES, A COMMITMENT BY OWNERS TO GENERATING PROFITS AND A STRUCTURED INCENTIVE TO GENERATE PROFITS. THE N.S.W. OVER-EMPHASIS ON SURPLUS DISTRIBUTION TO MEMBERS IS LOGICAL WHEN WORKERS ARE EXPECTED TO PROVIDE A RELATIVELY HIGH EQUITY. THE HIGHER THE EQUITY THE MORE THE EXPECTATION FOR PERSONAL GAIN THROUGH SURPLUS DISTRIBUTION. THE N.S.W. POSITION IS BASED ON NORMALISING WORKER COOPERATIVE ENTERPRISE PRACTICE SO AS TO BE CONSISTENT WITH THE DEMAND AND EXPECTATION OF PRIVATE SECTOR FINANCIAL INSTITUTIONS AND TO BE SEEN TO BE NORMALISING THESE PRACTICES. IMPLIED CRITICISM BY N.S.W. OF STATE PROVISION FOR SURPLUS ALLOCATION IS NOT AN ARGUMENT FOR COOPERATIVE AUTONOMY BUT RATHER FOR THE RIGHTS OF PRIVATE ENTERPRISE TO GENERATE AND DISPOSE PROFITS. IT IS AN ANTI-STATE AND FREE MARKET ARGUMENT IN SYMPATHY WITH PRIVATE SECTOR FINANCING SOURCES. BUT, THEN, N.S.W. COMMON OWNERSHIP MODEL RULES ATTEMPT TO PRESCRIBE TO WORKER COOPERATIVES HOW THE SURPLUS SHOULD BE ALLOCATED.

N.S.W. ALSO BELIEVES THAT SURPLUS DISTRIBUTION TO MEMBERS IS NECESSARY TO MAINTAIN "THE MOTIVATION OF INDIVIDUAL WORKERS IN WORKER COOPERATIVES" (DTR PAGE 5). THE ARGUMENT, OF COURSE, BECOMES SELF\_REINFORCING. IF THE IDEOLOGICAL AND ORGANISATIONAL BASIS OF THE EXISTING WORKER COOPERATIVES IN N.S.W. IS BASED ON SURPLUS DISTRIBUTION TO MEMBERS, THEN, IT BECOMES SELF\_REINFORCING AND SELF-PERPETUATING IN THE ABSENCE OF ALTERNATIVE MODELS. IT IS SOMEWHAT UNREALISTIC FOR THE PURVEYORS OF A HIGH EQUITY TO ARGUE THAT RESTRICTIONS ON SURPLUS DISTRIBUTION TO MEMBERS "WOULD BE COMPLETELY UNACCEPTABLE TO ANY COOPERATIVE PROJECT WE HAVE WORKED WITH OVER THE LAST !\* MONTHS" (DTR PAGE 6)

## THE STATE

N.S.W. IS CRITICAL THAT THE TNC/LRC REPORT SEES WORKER COOPERATIVES AS A TOOL OR VEHICLE FOR TOTAL REFORM OF THE ECONOMIC SYSTEM, AS RECOMMENDING A HEAVY GOVERNMENT TOP+DOWN APPROACH! PUSHING WORKER COOPERATIVES INTO SPECIFIC INDUSTRY SECTORS RATHER THAN PROMOTING COOPERATIVES BASED ON MARKET OPPORTUNITIES AND AS BASING WORKER COOPERATIVE DEVELOPMENT ON GOVERNMENT POLICY OBJECTIVES. (AWA PAGES 8 AND 25-26).

SPECIFIC OBJECTIONS ARE MADE TO ENTERPRISE PLANS - AS AN EXAMPLE, PRESUMABLY, OF A HEAVY AND -TOP DOWN GOVERNMENT APPROACH. IN OBJECTING TO ENTERPRISE PLANS THE SPECIFICS OF REQUIRING OCCUPATIONAL HEALTH AND SAFETY COMMITTEES AND INDUSTRIAL DEMOCRACY PRACTICES ARE CITED (AWC PAGE 7). REFERRING TO INDUSTRIAL DEMOCRACY, "IT IS COMPLETELY UNREALISTIC TO REQUIRE AN ENTERPRISE, OPERATING IN A COMPETITIVE MARKETPLACE, TO BE BOUND TO A COLLECTIVE SYSTEM OF DECISION-MAKING" (AWC PAGE 8). THE OBJECTION IS MISCHIEVOUS, HOWEVER, FOR THE TNC-LRC REPORT HAS NOT PROPOSED THAT THERE SHOULD BE A COLLECTIVE SYSTEM OF DECISION MAKING. IT HAS PROPOSED INDUSTRIAL DEMOCRACY PRACTICES WHICH COULD INCLUDE SMALL COOPERATIVES ADOPTING COLLECTIVE DECISION-MAKING PRACTICES. COLLECTIVE DECISION-MAKING COULD BE APPROPRIATE TO SMALL COOPERATIVES. IT HAS NOT BEEN ARGUED THAT INDUSTRIAL DEMOCRACY IS COLLECTIVE DECISION-MAKING.

IN OVER-STATING THE ALLEGED ARGUMENT FOR COLLECTIVE DECISION-MAKING, N.S.W. SEEMS TO ARGUE THAT MANAGEMENT IN A COOPERATIVE MUST DEPEND ON A BOARD OF DIRECTORS. THE BASIS OF THIS PREFERENCE FOR HIERARCHY COULD, ONCE AGAIN, BE BASED ON THE "PRACTICALITIES" OF CULTIVATING PRIVATE SECTOR FINANCING AND ESTABLISHING AND MAINTAINING POLITICAL/ECONOMIC LEGITIMACY. THERE IS, THEN, A DISAPPOINTING INFLEXIBILITY AND AN UNWILLINGNESS TO ACCEPT THAT COOPERATIVE MANAGEMENT SHOULD BE APPROPRIATE AND DIFFERENT. THIS IS DESPITE RHETORIC TO THE CONTRARY: "BROAD AND FLEXIBLE LEGAL ARRANGEMENTS ARE REQUIRED FOR THE SUCCESSFUL DEVELOPMENT OF WORKER CO-OPERATIVES IN AUSTRALIA" (AWC PAGE 22).

THE IMPLICATION OF THE N.S.W. CRITICISM IS THAT THE RIGHT OF WORKERS IN A WORKER COOPERATIVE SHOULD BE MINIMISED. IN OPPOSING FORMAL ENTERPRISE PLANS IT IS ARGUED THAT THE COMPONENTS OF SUCH PLANS ARE ALREADY DISCUSSED WITH WORKER COOPERATIVES "ALTHOUGH IN A LESS FORMAL FASHION" ( AWC PAGE 8). WHILE NOT ADVOCATING ENTERPRISE PLANS, IT IS CONCEDED "WE SUPPORT THE USE OF ENTERPRISE PLANS AS PLANNING AND INFORMATION MECHANISMS" ( AWC PAGE 8).

N.S.W., THEREFORE, TENDS TO ADOPT A LAISSEX FAIRE APPROACH TO ENTERPRISE PLANS - THE FREEDOM OF INDIVIDUAL WORKER COOPERATIVES TO ADOPT POLICIES AND PRACTICES DEEMED APPROPRIATE BY THE INDIVIDUAL COOPERATIVES. YET, THE COMMON OWNERSHIP MODEL RULES ESTABLISH A MODEL OF COOPERATIVE PHILOSOPHY AND PRACTICE WHICH THE COMMON OWNERSHIP DEVELOPMENT AGENCY USES IN DEVELOPING WORKER COOPERATIVES. FORMAL ENTERPRISE PLANS WOULD CODIFY EXISTING, IMPLICIT AND EXPLICIT, REQUIREMENTS. THE N.S.W. RELUCTANCE TO CODIFY ITS OWN ATTITUDES AND POLICIES IS DECEPTIVE AND DISAPPOINTING IN CLAIMING IT IS BASED ON FLEXIBLE PRACTICALITY.

THE CAUTIOUSNESS TOWARDS ENTERPRISE PLANS IS BASED ON A PHILOSOPHY OF MARKET OPPORTUNISM - THAT THE DEVELOPMENT OF COOPERATIVES IS IN RESPONSE TO MARKET OPPORTUNITIES. THERE IS A CAUTIOUSNESS TOWARDS A COOPERATIVE PROGRAM FOCUSSING ON SPECIFIC INDUSTRIES. THERE IS, THEN, AN ULTIMATE HOSTILITY TOWARDS STATE INITIATED COOPERATIVE DEVELOPMENT - A HOSTILITY THAT REFLECTS A PRIVATE ENTERPRISE ORIENTATION.

IT IS ARGUED THAT THE T.N.C/LRC REPORT IS STATE ENTERPRIST\_ AND ANTI-COOPERATIVE AND THAT THE PROPOSED ALLOCATION OF A SUBSTANTIAL PORTION OF SURPLUS TO A CENTRAL FUND "OFFERS THE CLEAREST MODEL OF A STATE ENTERPRISE SYSTEM, WHICH SURFACES LESS OBVIOUSLY ELSEWHERE THROUGH THE REPORT" (DTR PAGE 6). THERE ARE A NUMBER OF OTHER PROPOSALS WHICH N.S.W. WOULD PROBABLY REGARD AS EQUALLY PROVOCATIVE \_ - DIRECT EQUITY PARTICIPATION BY THE THE CENTRAL FUND AND DIRECT UNION REPRESENTATION AT THE LEVEL OF THE BOARD OF MANAGEMENT. IT IS INCORRECT, HOWEVER, TO EXTRAPOLATE THESE SUGGESTIONS AS DEMONSTRATING THE TRUE STATE ENTERPRISIST AND ANTI-COOPERATIVE NATURE OF THE REPORT. WITHOUT DEBATING THE NATURE AND CONSEQUENCES OF THESE RECOMMENDATIONS, THEY ARE PERIPHERAL TO THE T.N.C - L.R.C. ANALYSIS.

THE N.S.W. CRITICISM IS BASED ON AN IDEOLOGICAL PERSPECTIVE OF PRIVATE ENTERPRISE COOPERATIVES WHICH HAVE AN UNAVOIDABLE AND INEVITABLE RELATIONSHIP TO CAPITAL AND THE MARKET - COOPERATIVES WHICH ARE A DIFFERENT FORM OF CAPITALIST ENTERPRISE. WHILE THE STRUCTURE IS COOPERATIVE, THE PHILOSOPHY AND PRACTICES ARE PRIVATE ENTERPRISE. N.S.W. CLAIMS THAT ITS ARGUMENTS ARE BASED ON "PRACTICAL CONSIDERATION" (AWC PAGE 3). PRACTICAL CONSIDERATIONS ARE THE PERCEPTION OF WHAT STRUCTURES AND DEVELOPMENTS ARE REALISTIC. PRACTICALITIES DIFFER IN TIME AND CONTEXT AND ARE CRITICALLY DETERMINED BY ACTUAL AND PERCEIVED INTERESTS AND IDEOLOGICAL PREFERENCES. WHAT IS CLAIMED TO BE PRACTICAL MAY, INSTEAD, REFLECT AN IDEOLOGICAL CHOICE AND/OR A JUSTIFICATION FOR EXISTING PRACTICES AND PROCEDURES. THE ARGUMENT FOR PRACTICALITY (WHAT IS ACHIEVABLE) IS SEDUCTIVE FOR ITS OPPOSITE IS IMPRACTICALITY (WHAT IS NOT ACHIEVABLE). WORKER COOPERATIVE NEED TO BE PRACTICAL AND ACHIEVABLE BUT THEY ALSO NEED TO BE BASED ON WORKER COOPERATIVE PHILOSOPHY, PRINCIPLES AND PRACTICES.

## REFERENCES

APPRAISAL OF THE REPORT ON WORKER COOPERATIVE POLICY IN N.S.W.  
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